

Report to the
Senate Appropriations Committee on Health and Human Services,
the House of Representatives Appropriations Subcommittee on Health and
Human Services and the Fiscal Research Division

Report on

Developmental Center Downsizing

Session Law 2007-323
House Bill 1473

Section 10.50(d)

January 15, 2008

North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities, and
Substance Abuse Services

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The Appropriations Bill Session Law 2007-323 Section 10.50 calls for the Department to *“ensure that the downsizing of the State’s Developmental Centers is based upon individual needs and the availability of community-based services with a targeted goal of four percent (4%) each year.”* The Department must *“ensure that placements for ICF-MR level of care shall be made to appropriate community-based settings”* and *“admissions to a State-operated ICF-MR facility is permitted only as a last resort”*. The bill also requires that *“budgets for each of the Developmental Centers be reduced, and positions shall be eliminated as the census of each facility decreases in accordance with the Department’s budget reduction formula”* and that the Department of Health and Human Services report on the progress made in complying with this section.

The developmental centers continue with downsizing efforts to comply with this legislation. Between July 1, 2006 and June 30, 2007, 32 individuals moved from the developmental centers to the community. These individuals moved to a variety of settings, including the Intermediate Care Facility for The Mentally Retarded (ICF-MR) group homes, supervised living group homes, alternative family living homes and to their natural families’ homes. During this same time period, 63 individuals were admitted to the developmental centers, many of whom came from licensed community residential settings, including ICF-MR group homes. These admissions were due to behavioral and/or medical needs that could not be addressed in the individual’s community setting and were requested after other community resources were explored and exhausted. It is anticipated that 19 of the individuals admitted to the developmental centers last fiscal year will be ready to return to the community within two years, while the remaining 44 will likely remain at the developmental centers for an extended period of time due to the complex nature of their disabilities.

The largest contributing factor to census reduction at the centers continues to be deaths from natural causes. There were 39 individuals who died either at the developmental centers or after being transferred to hospitals in the community.

In sum, the net census reduction of the developmental centers in fiscal year 2006 was 8, a rate decrease of 0.5%. Despite the number of individuals who moved to the community and the number of deaths, the net census has not dropped significantly due to the increasing requests for admission due to failed community placements. Individuals with severe autism and other developmental disabilities who have extremely challenging behaviors, in addition to individuals with complex medical conditions, continue to depend on the developmental centers when their needs outstrip services that are available in the community. In addition, as North Carolina’s population continues to increase, the number of individuals with significant developmental disabilities residing in the state and needing the supports of the developmental centers has increased as well. This is a contributing factor towards the challenge of downsizing these facilities.

During fiscal year 2004-2005, a formula was developed, based upon input from the directors of the developmental centers, for reductions in the facilities' budgets based on net census reductions. Budget reductions occur in July of each fiscal year based on actual census reductions during the previous fiscal year and the formula for the dollar amounts reduced per downsized bed is recalculated using each center's new daily rate. For the period of SFY 02 through SFY 08, a total annualized recurring reduction of \$7,571,743 attributable to downsizing has been reduced from the centers' budgets. Reductions have come primarily from the elimination of positions. Medicaid savings of \$4,160,531 from the reductions initiated prior to July 1, 2007, were to be transferred internally by the Division of Medical Assistance from the ICF-MR State facility budget category to the Community Alternatives Program-Mental Retardation/Developmental Disabilities (CAP-MR/DD) for the provision of waiver services to individuals residing in the community. Medicaid savings of \$1,926,421 from reductions initiated on or after July 1, 2007, are to be transferred internally by the Division of Medical Assistance from the ICF-MR State facility budget category "...to support Medicaid services to assist in continued community services opportunities for people developmental disabilities." (SL 2007-323, HB 1473, Section 10.50(b)(3). The savings in State appropriation from downsizing activities during this period was \$1,484,791. Of this amount, \$1,104,532 was reduced from the Division's budget in accordance with legislative reduction requirements. The remaining \$380,259 in State appropriation savings was realigned within the Division's budget to support the provision of community-based services for individuals with developmental disabilities.

As stated in the progress reports of January and May, 2006, many local management entities (LMEs) feel there are insufficient dollars in the budget to support people in the community and people coming out of the developmental centers. As a result, individuals in the developmental centers who are receiving appropriate, high quality services are deemed a lower priority for limited funding than people in the community who have significant needs that have not been fully addressed.

The capacity of providers to meet the behavioral and/or medical needs of persons living at the developmental centers has not been sufficiently demonstrated or documented in many parts of the state, causing concerns for some guardians who would otherwise be in favor of community placement. In addition, a majority of the individuals being referred to the developmental centers for admission have been or are on the verge of being discharged from community service providers due to the providers' inability to meet their complex needs.

Based on a survey conducted by the developmental centers this calendar year, there are approximately 200 guardians of individuals residing in the centers who are interested in exploring community living. Many of the guardians are primarily interested in IFC-MR group home placement. The Division of Mental Health, Developmental Disabilities and Substance Abuse Services (MH/DD/SAS) has proposed a new initiative to address the desires of these guardians and to be in accordance with Olmstead vs. L.C. & E.W. The initiative proposes to amend the 2008 State Medical Facilities Plan to allow the transfer

of occupied ICF-MR beds from the developmental centers to community providers. The bed transfer plan is only for individuals currently residing in the centers for whom community placement is appropriate and desired and for whom a community ICF-MR group home is deemed the most appropriate setting due to their acuity of need. During the first year of the proposal, 36 beds will be transferred to the community to comprise a total of six ICF-MR group homes with a maximum capacity of six beds each. The proposal calls for two ICF-MR group homes to be located in each of the three regions of the state. With the successful placement of the first 36 individuals, the Division of MH/DD/SAS will pursue the transfer of additional beds through future amendments to the State Medical Facilities Plan.

The community provider(s) to participate in the proposal will be selected through the Division of Health Services Regulation Certificate of Need application process and must be able to demonstrate that they possess the financial ability and clinical expertise to develop and operate residential services for this identified population. The proposed rate structure for the new ICF-MR group homes will accommodate the extraordinary needs of the individuals leaving the developmental centers. It is important to note that the bed transfer proposal is not in conflict with the moratorium on the creation of new ICF-MR beds; rather, it is a relocation of currently existing, certified ICF-MR beds to the community.

The bed transfer proposal is on schedule to be included in the State Medical Facilities Plan effective January 1, 2008. The intricacies of such a proposal including provider selection, new home construction, planning and coordination between the developmental centers, individuals, guardians and the selected providers is a lengthy and complex process. Each step must be carefully taken to ensure that nothing is overlooked in planning for community living for these individuals. The Division of MH/DD/SAS believes that the ICF-MR bed transfer proposal is another means for individuals residing at the developmental centers who desire a community living arrangement to be provided with this opportunity.